

ORDER NO. 16 038

ENTERED JAN 26 2016

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1301(9)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization to Defer
Direct Access Open Enrollment
Costs/Benefits.


ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 26, 2016, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.



BY THE COMMISSION:


Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

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ITEM NO. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 26, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2016

DATE: January 11, 2016

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1301(9)) Requests reauthorization to defer Direct Access Open Enrollment Costs/Benefits.

STAFF RECOMMENDATION:

I recommend Portland General Electric's (PGE or Company) filing be approved for the 12-month period beginning January 1, 2016.

ISSUE:

PGE requests reauthorization to defer, with interest, certain costs or benefits associated with implementation of PGE's direct access open enrollment.

APPLICABLE RULES AND LAWS:

PGE makes this filing pursuant ORS 757.259, and OAR 860-027-0300 for reauthorization of deferred accounting of certain costs or benefits associated with implementation of PGE's direct access open enrollment. Previous approval of this deferral was most recently granted by Order No. 15-023.

ANALYSIS:

Background

Direct Access enrollment windows provide an eligible customer on a cost-of-service rate schedule the option of receiving service under a direct access, or other non cost-of-service, rate schedule.¹

¹ Direct Access service was implemented pursuant to SB 1149 (ORS 757.600-.691), which required, among other things, that certain investor-owned electric utilities restructure their service offerings to

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Since February 2012, PGE has provided two enrollment windows each year, the annual window and one quarterly window. (See Order No. 12-057 (approving the stipulation that reduced the three quarterly windows to one.)) The one quarterly window, aka balance-of-year window, now provides Schedule 128 eligible customers on a cost-of-service rate schedule, the opportunity to move to direct access service or an applicable non-cost-of-service pricing option, for the balance of the calendar year.

In 2007, the Commission authorized PGE to defer costs and benefits associated with customers electing direct access during PGE's quarterly windows and in 2008, authorized PGE to defer the costs associated with the annual window. (See Order Nos. 07-108 and 08-169.) The Commission has authorized the deferral of the costs and benefits of both the annual and quarterly enrollment windows, in each subsequent year, most recently in Order 15-023.

Description of Expense

The financial impact of customer decisions during the quarterly and annual direct access windows is based on the amount of customer load that selects non cost-of-service pricing and the changes in wholesale market prices used to set the transition adjustment rates in Schedule 128 for each enrollment period. Amounts calculated pursuant to this mechanism will be deferred if the difference between market prices and the load leaving PGE's cost-of-service rate exceeds \$60,000 for the balance of year period or \$240,000 for the annual election, as specified in Schedule 128.

The current deferral balance is approximately \$650,000 for costs incurred during the annual November enrollment window. PGE will amortize this \$650,000 charge in 2016 through Schedule 105. PGE cannot provide an estimate of the amounts that will be deferred in 2016 until the outcome of the future balance-of-year window is available.

Reasons for Deferral

This deferral provides a mechanism for PGE to track the cost or benefit of open enrollment options and defer those costs or benefits for later rate-making treatment pursuant to ORS 757.259(2)(e). The deferral of such costs or benefits will minimize the frequency of rate changes or fluctuations and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PGE proposes to record the deferral in FERC Account 182.3 (Other Regulatory Assets) with an off-setting debit to FERC Account 447 (Sales for Resale) for amounts owed to customers.

enable large commercial or industrial customers to buy electric service directly from competitive Electric Service Suppliers.

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Estimate of Amounts

PGE states that it cannot provide a reasonable estimate of any expected deferral for the upcoming period. However, PGE requests that, in accordance with ORS 757.259(4), it be allowed to continue to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital, set at 7.510 percent in Commission Order No. 15-356 (UE 294), until amortization of any deferred amount begins. Afterwards, interest will accrue at the interest rate set by the Commission for deferred amortizations.

Information Related to Future Amortization

- Earnings review – An earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – How sharing of this deferral would be structured does not appear to be specified by Commission order, so Staff assumes any sharing would stem from the results of the earnings review.
- Rate Spread/Design – The amortization of any deferred amount will be spread on a per-kWh basis to Large Nonresidential customers as specified in Schedule 128.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

Staff Analysis

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. In addition, PGE requests that, in accordance with ORS 757.259(4), it be allowed to continue to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital, set at 7.510 percent in Commission Order No. 15-356 (UE 294). Using the current authorized rate of return as the interest rate is consistent with prior Commission practice. For these reasons, Staff recommends PGE's application be approved.

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PROPOSED COMMISSION MOTION:

PGE's application be approved for the 12-month period beginning January 1, 2016, for accounting purposes only, with ratemaking treatment to be considered in a subsequent proceeding.

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